

Message Text

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PAGE 01 LAGOS 03032 051211Z

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SUBJ : 1975-6 BUDGET SPEECH

1. SUMMARY. HEAD OF STATE GOWON MARCH 31 DELIVERED ANNUAL BUDGET SPEECH FOR FISCAL YEAR 1975-6. FROM GROSS REVENUES OF DOLS8.6 BILLION, DOLS2.8 BILLION ARE EARMARKED FOR RECURRENT EXPENDITURES WHILE ANOTHER DOLS2.1 BILLION WILL GO TO THE STATES. CAPITAL EXPENDITURES ARE PUT AT DOLS8 BILLION, TO BE FINANCED FROM CURRENT SURPLUS AND PAST SAVING . MAJOR EMPHASIS IS ON REDUCING PRICE INFLATION AND TO THIS END CUSTOMS AND EXCISE DUTIES ON A RANGE OF MATERIALS WILL BE CUT. INTEREST RATES TO BORROWERS ARE BEING REDUCED TO A MINIMUM OF 6-PERCENT AND A MAXIMUM OF 9 PERCENT, WHILE RATES ON DEPOSITS ARE BEING INCREASED. HENCEFORTH PAYMENTS FOR IMPORTS MAY BE MADE PRIOR TO THE TIME THE IMPORTS ACTUALLY REACH NIGERIA. DESPITE FOREIGN EXCHANGE OUTFLOW FOR THE YEAR OF DOLS10 BILLION, FOREIGN EXCHANGE RESERVES ARE EXPECTED TO INCREASE BY A FURTHER DOLS1.6 BILLION. PRODUCER PRICES OF AGRICULTURAL EXPORT CROPS ARE AGAIN TO BE RAISED. END SUMMARY.

2. INFLATION: BEGINNING HIS ADDRESS WITH INFLATION, GOWON SAID EACH OF LAST THREE BUDGETS HAD ATTEMPTED TO FIND A SOLUTION TO THE PROBLEM. HE SAID THAT SINCE WORLDWIDE
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PAGE 02 LAGOS 03032 051211Z

PROBLEM OF INFLATION IS BEING ACCAPND#IN NIGERIA BY RECENT

WAGE INCREASES AND BY ENORMOUS INVESTMENT EXPENDITURES, A MAJOR PART OF THIS YEAR'S BUDGET HAS BEEN DIRECTED AT REDUCING INFLATION. MOST VISIBLE STEP TAKEN WAS FURTHER REDUCTION OF IMPORT AND EXCISE DUTIES. IMPORT DUTIES ON BUILDING MATERIALS HAVE BEEN REDUCED FROM 50 TO 20 PERCENT; ON FOOD ITEMS SUCH AS SALT, RICE, TOMATOES, FISH AND MEAT TO 10 PERCENT; ON GENERAL CONSUMER GOODS

TO LEVELS RANGING FROM 5 TO 40 PERCENT. IMPORT DUTY ON BEER HAS BEEN LOWERED AND ON MILK ABOLISHED. THE IMPORTATION OF STOCK FISH WILL NO LONGER REQUIRE A LICENSE AND THE IMPORT BAN ON CORNED BEEF, NUTS, MARGARINE AND OTHER FATS HAS BEEN LIFTED. SINCE LOWER DUTIES WILL REDUCE THE PROTECTION GIVEN TO LOCAL INDUSTRIES, THEY WILL BE GIVEN RELIEF IN THE FORM OF LOWER EXCISE DUTIES AND LOWER COMPANY TAXES. IN ORDER TO PROTECT THE RECENTLY OPENED VOLKSWAGON AND PEUGEOT ASSEMBLY PLANTS, CARS UNDER 2000 CC WILL HENCEFORTH BE IMPORTED ONLY UNDER LICENSE AND LICENSES WILL BE ISSUED ONLY TO THE EXTENT OF SHORFALL IN LOCAL PRODUCTION.

3. TAXES: FIFTY PER CENT OF UDOJI ARREARS TO PRIVATE SECTOR EMPLOYEES IS TO BE TAX FREE, AS WAS THE CASE FOR PUBLIC SECTOR EMPLOYEES. COMPANY PROFIT TAX HAS BEEN REDUCED FROM 45 TO 40 PERCENT AND THE FIRST DOL\$10,000 PROFIT IS TAX FREE. CAPITAL GAINS TAX, FORMERLY APPLICABLE ONLY IN LAGOS STATE, IS TO BE EXTENDED THROUGHOUT THE FEDERATION AND TO NON-RESIDENTS AS WELL.

4. BANKING: GOWON EXPRESSED SATISFACTION WITH THE FACT THAT 51 PERCENT OF COMMERCIAL BANK LOANS HAD GONE TO THE PRODUCTIVE SECTORS AND THAT THE MINIMUM OF 40 PERCENT OF LOANS TO INDIGENOUS BUSINESSMEN HAD BEEN EXCEEDED. IN RECOGNITION OF THE FMG'S HAVING BECOME A NET CREDITOR TO THE BANKING SYSTEM INTEREST RATES ARE BEING REDUCED. THE DISCOUNT RATE WILL BE LOWERED FROM 4 1/2 PERCENT TO 3 PERCENT, AND THE MAXIMUM AND MINIMUM LENDING RATES WILL BE REDUCED FROM 12 PERCENT AND 7 PERCENT RESPECTIVELY TO 9 PERCENT AND 6 PERCENT.

AT THE SAME TIME, THE MINIMUM COMMERCIAL BANK DEPOSIT RATE WILL BE UPPEDED A POINT TO 4 PERCENT WHILE THE DEPOSIT RATE PAID BY FEDERAL SAVINGS BANK MOVES FROM 4 TO 5PERCENT. INTEREST ON TREASURY BILLS WILL FALL FROM 4 TO 2 1/2 PERCENT, WHILE TREASURY CERTIFICATES WILL BE UNCLASSIFIED

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PAGE 03 LAGOS 03032 051211Z

RETIRED AS THEY MATURE. THE GENERAL SAID THAT IN AN EFFORT NOT TO DISRUPT THE BANKING SYSTEM THE VOLUME OF TREASURY BILLS WILL REMAIN UNCHANGED FOR THE TIME BEING, AND COMMERCIAL BANK HOLDINGS OF DEVELOPMENT LOANS WILL BE TREATED AS PART OF LIQUID ASSETS. GENERAL GOWON ALSO SAID THAT THIS FISCAL YEAR WOULD SEE THE INTRODUCTION OF LEGISLATION COVERING THE MERCHANT BANKS WHICH WILL ALLOW THOSE INSTITUTIONS SUFFICIENT FLEXIBILITY TO PROVIDE SPECIALIZED SERVICES IN MEDIUM AND LONG

TERM LENDING OPERATIONS.

5. FOREIGN EXCHANGE: GENERAL GOWON SAID THE ESTIMATED FOREIGN EXCHANGE OUTFLOW FOR THE FISCAL YEAR IS OVER DOLS10 BILLION. THE COUNTRY'S EXTERNAL RESERVES, WHICH HE SAID NOW STAND AT DOLS5.7 BILLION, ARE LIKELY TO INCREASE BY DOLS1.6 BILLION THIS YEAR. BECAUSE OF THE IMPROVED EXTERNAL RESERVES IMPORTS MAY NOW BE PAID FOR WHEN EVIDENCE OF SHIPMENT IS MADE, RATHER THAN DELAYING PAYMENT UNTIL THE GOODS ENTER THE COUNTRY. MOREOVER, COMMERCIAL BANKS WILL BE ALLOWED TO KEEP WORKING BALANCES ABROAD. THE EFFECT OF THESE LIBERALIZATION MOVES, ACCORDING TO THE GENERAL, IS THAT IMPORTS WILL BE FINANCED LOCALLY AT LOWER INTEREST RATES AND THAT PAYMENT FOR IMPORTS WILL BE PROMPT. BOTH, HE HOPES, WILL REDUCE INFLATION.

6. TRAVEL ALLOWANCES: THE BASIC TRAVEL ALLOWANCE IS TO BE INCREASED FROM DOLS650 TO DOLS1600 PER ADULT, TO DOLS800 PER CHILD, AND FROM DOLS800 TO DOLS1000 FOR ADULTS WHO MAKE THE HAJJ AND FROM DOLS200 TO DOLS320 FOR CHILDREN. THE BASIC BUSINESS ALLOWANCE IS BEING

RAISED FROM DOLS65 TO DOLS130 DAILY WHILE TRAVELERS INTO AND OUT OF NIGERIA WILL HENCEFORTH BE ALLOWED TO CARRY A MAXIMUM OF N20.

7. FEDERAL REVENUE AND EXPENDITURE ESTIMATES: GROSS REVENUE FOR THE YEAR IS ESTIMATED TO BE DOLS8.6 BILLION, UP FROM DOLS7.9 BILLION IN THE LAST FISCAL YEAR. RECURRENT EXPENDITURES ARE PUT AT

DOLS2.8 BILLION, A 70 PERCENT INCREASE OVER LAST YEAR, DUE PRIMARILY TO

THE IMPACT OF UDOJI AWARDS AND EXPANDING GOVERNMENT SERVICES. STATUTORY AND NON-STATUTORY APPROPRIATIONS TO STATES TOTAL DOLS2.1 BILLION, UP 120 PERCENT. CAPITAL EXPENDITURE IS SET AT DOLS8. BILLION,
UNCLASSIFIED

UNCLASSIFIED

PAGE 04 LAGOS 03032 051211Z

TO BE FINANCED WHOLLY DOMESTICALLY, FROM CURRENT BUDGET SURPLUS AND PAST SAVINGS.

8. PRODUCER PRICES: IN ORDER TO INCREASE FARM INCOME, PRODUCER PRICES ON EXPORTED PRIMARY PRODUCTS ARE TO BE INCREASED BY FROM 10 TO 50 PERCENT.

9. HEAD OF STATE'S BUDGET SPEECH WILL BE SENT UNDER COVER OF AIRGRAM. BUDGET ITSELF MAY BE UNAVAILABLE FOR 2-3 MONTHS BUT WILL BE POUCHED TO CERP ADDRESSES WHEN RELEASED TO PUBLIC.

10. COMMENT: TAKING INTO ACCOUNT BOTH RECURRENT AND CAPITAL EXPENDITURES AS OUTLINED BY GOWON AND LATER BY COMMISSIONER SHAGARI (SEPTTEL) THERE IS AN APPARENT DEFICIT IN THIS YEAR'S BUDGET. WITHOUT HAVING YET SEEN THE BUDGET IT IS

IMPOSSIBLE FOR US TO EXPLAIN THIS AND OTHER DISCREPANCIES BUT
WE WILL PROVIDE FULLER ANALYSIS OF THE FIGURES WHEN THE BUDGET
IS PUBLISHED.

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